No. 06-____

IN THE

Supreme Court of the United States

TRANSCLEAN CORPORATION, et al.,

Petitioners,

v.

JIFFY LUBE INTERNATIONAL, INC., et al.,

Respondents.

Petition for a Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

PETITION FOR A WRIT OF CERTIORARI

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QUESTIONS PRESENTED

1. Whether the doctrine of judicial estoppel precludes a party from taking alternative and allegedly inconsistent positions in a proceeding where (a) the positions are on a question of law and (b) the party achieved no judicial success from its asserted earlier position.

2. Whether a court of appeals has jurisdiction or discretionary authority to reverse a judgment to the benefit of a party that neither filed an appeal nor a cross-appeal pursuant to Fed. R. App. P. 4(a)(1) or 4(a)(3), and that never even appeared before the court of appeals.

PARTIES TO THE PROCEEDINGS AND RULE 29.6 STATEMENT

Petitioners in this case are Transclean Corporation, James P. Viken, Jon A. Lang, and Donald E. Johnson.

Transclean Corporation has no parent corporations or publicly held companies owning ten percent or more of its stock.

Respondents are Jiffy Lube International, Inc., Regional Car Wash Distributors, Inc., Walt Gislason (doing business as Walt's Soft Car Wash), Mike's In and Out 10 Minute Oil Change, Indy Lube, Inc., Fresh Start, Inc., Lubrication Technologies, Inc., Layne R. Base (doing business as Heartland Express Lube), Perfect "10" Quick Lube, Inc., Ultra Lube, Inc., Bob Clemons (doing business as Wonder Lube), Bill Clark Oil Co., Inc., Royal Lube Service, Inc., 13 North Express Lube, Inc., Spot's Quick Lube, Inc., and White Bear Tire & Auto, Inc.

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Petition for a Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

PETITION FOR A WRIT OF CERTIORARI

Petitioners Transclean Corporation, James P. Viken, Jon A. Lang, and Donald E. Johnson respectfully petition this Court for a writ of certiorari to review the judgment of the United States Court of Appeals for the Federal Circuit in this case.

OPINIONS BELOW

The opinion of the Federal Circuit is available at 474 F.3d 1298 and is reproduced at page 1a of the appendix to this petition ("App."). The unpublished orders of the District Court are reproduced at App. 20a, 33a.

JURISDICTION

The judgment of the Federal Circuit was entered on January 18 2007. App. 1a. The Federal Circuit denied a timely filed petition for rehearing or rehearing en banc on March 23, 2007. App. 48a. This Court has jurisdiction pursuant to 28 U.S.C. § 1254(1).

STATUTORY PROVISION INVOLVED

Section 271(a) of Title 35, U.S. Code provides, in pertinent part, that "whoever without authority makes, uses, offers to sell, or sells any patented invention, within the United States * * * infringes the patent."

INTRODUCTION

This case raises two important and recurring questions of judicial procedure that are each the subject of persistent and irreconcilable division among the courts of appeal—including one question on which this Court previously granted certiorari but was unable to resolve. The first question implicates two of the requirements for judicial estoppel, a doctrine this Court has never thoroughly addressed despite its widespread importance to the administration of justice and the well-recognized and longstanding confusion in the circuit courts over it. The second question asks whether a court of appeals has jurisdiction or discretionary authority to reverse a judgment to the benefit of a party that filed no appeal or cross-appeal. Almost every circuit has spoken on the issue, and the score is 7-5. Indeed, this Court has already determined that certiorari is warranted on that question. In *Zapata Indus.* v. *W.R. Grace & Co.*, 536 U.S. 990 (2002), this Court granted certiorari to address that precise issue but was unable to resolve it because the case was voluntarily dismissed. *See* 537 U.S. 1025 (2002). This case thus presents an opportunity to resolve the conflict in the lower courts not only over the question previously accepted for review in *Zapata*, but also over the equally important and, in this case, integrally related, doctrine of judicial estoppel.

STATEMENT OF THE CASE

A. The *Bridgewood* Litigation. Petitioner Transclean Corporation is the exclusive licensee of U.S. Patent No. 5,318,080 ("the Patent"), which is owned by petitioners James P. Viken, Jon A. Lang, and Donald E. Johnson. The Patent claims an apparatus for changing automatic transmission fluid. In 1997, petitioners (collectively, "Transclean")

sued Bridgewood Services, Inc. ("Bridgewood"), alleging that a transmission fluid changing machine (the "T-Tech" machine) manufactured and sold by Bridgewood infringed the Patent. Transclean obtained a judgment against Bridgewood, which included a damages award of $1,874,500. Bridgewood appealed and the Federal Circuit affirmed the judgment in 2002. *See Transclean Corp.* v. *Bridgewood Servs., Inc.*, 290 F.3d 1364 (Fed. Cir. 2002).

B. The District Court Decision. Transclean could not collect on its judgment against Bridgewood due to Bridgewood's insolvency. Thus, Transclean exercised its right, recognized in *Birdsell* v. *Shaliol*, 112 U.S. 485 (1884), to bring a separate action for infringement against customers of Bridgewood (automobile service companies) that bought and used the infringing T-Tech machines. In *Birdsell*, this Court rejected the argument that "a decree in favor of [a] patentee * * * for making and selling a patented machine, is a bar to a subsequent suit by the patentee against another person for afterwards using the same machine within the term of the patent." *Id.* at 487. Rather, where, as here, the patentee has not received full compensation from a manufacturer of an infringing machine, the patentee is entitled to bring separate actions against customers that use the machines. *Id.* at 488.

Having recovered nothing from Bridgewood, Transclean thus brought infringement claims in the District of Minnesota against more than thirty other companies that used the infringing machines. Some defendants settled. Seven defendants (the "Defaulting Defendants") never answered the complaint and the District Court entered default judgments against them.[1]

The remaining nine defendants, led in the litigation by respondent Jiffy Lube International, Inc. (collectively, "Jiffy

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[1] These defendants are respondents 13 North Express Lube, Inc., Bill Clark Oil Co., Inc., Royal Lube and Service, Inc., Spots Quik Lube, Inc., White Bear Tire & Auto, Inc., Ultra Lube, and Bob Clemons (doing business as Wonder Lube). App. 17a-19a.

Lube" or the "Participating Defendants"), answered and litigated the claims against them.[2] The parties filed cross-motions for summary judgment. For its part, Transclean argued unsuccessfully that the question of infringement need not be relitigated because the *Bridgewood* judgment barred the defendants from contesting infringement under the doctrine of issue preclusion. Transclean contended, *inter alia*, that the defendants were, as a matter of law, in "privity" with Bridgewood for issue preclusion purposes. Fed. Cir. J.A. at A902. The legal basis for this contention was that the customer defendants were "adequately represented" by Bridgewood under Eighth Circuit issue preclusion law. *Id.* at A903. The only *fact* asserted as relevant to this legal position, however, was that the defendants "use[d] * * * an infringing product manufactured by Bridgewood." *Id.* at A903.

The District Court denied Transclean's motion on issue preclusion without reaching the question of privity. Instead, the court denied the motion because it concluded that the question of infringement was not "actually litigated" in the *Bridgewood* litigation. *See* App. 43a (infringement not litigated because the determination "was in large part a sanction for abuse of discovery against Bridgewood").

Jiffy Lube moved for summary judgment, arguing that under *Mars Inc.* v. *Nippon Conlux Kabushiki-Kaisha*, 58 F.3d 616, 620 (Fed. Cir. 1995), claim preclusion applied even though Jiffy Lube and its customers are unrelated entities. In its opposition, Transclean stated that "[u]nlike *Mars*, this case involves two sets of defendants who have no ownership relationship (*e.g.*, as parent and wholly-owned subsidiary corporations), but are in privity because Bridgewood was a manufacturer of the infringing product

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[2] In addition to Jiffy Lube International, these defendants are respondents Regional Car Wash Distributors, Inc., Walt Gislason (doing business as Walt's Soft Car Wash), Mike's In and Out 10 Minute Oil Change, Indy Lube, Inc., Fresh Start, Inc., Lubrication Technologies, Inc., Layne R. Base (doing business as Heartland Express Lube), and Perfect "10" Quick Lube, Inc.

and Jiffy Lube is a user of the same infringing product." Fed. Cir. J.A. at A670. Transclean further stated that "although there exists privity between Bridgewood and Jiffy Lube as a result of their relationship as manufacturer and user of the T-Tech devices," claim preclusion was *not* warranted because "neither entity exercises control over the other, nor has either entity financed or controlled the defense of the litigation against the other." *Id.* at A671 n.3. Thus, Transclean made clear that the sort of privity existing between Jiffy Lube and Bridgewood—stemming solely from a manufacturer-customer relationship—was *not* sufficient for claim preclusion to apply under general legal principles.

The District Court granted Jiffy Lube's motion on claim preclusion and dismissed all claims against the Participating Defendants. As for the privity requirement, the District Court incorrectly remarked that the issue was undisputed, but it made no express holding that Jiffy Lube and Bridgewood were in privity as a matter of law. App. 36a.

After its grant of summary judgment to the Participating Defendants, the District Court granted Transclean's motion to enter final default judgments as to the Defaulting Defendants. The court, however, awarded a lower amount of damages than Transclean had sought, based on the royalty amount awarded in the *Bridgewood* litigation. App. 26a. The court also granted Transclean's motion for treble damages and attorneys' fees against the Defaulting Defendants, because they had failed to contest the allegations of willful infringement. App. 27a-28a.

C. The Federal Circuit Decision. After entry of final judgment disposing of all claims, Transclean filed a timely notice of appeal to the Federal Circuit challenging both the judgment in favor of the Participating Defendants (Jiffy Lube et al.) and the District Court's decision to assess a lower amount of damages against the Defaulting Defendants. The Participating Defendants appeared in the Federal Circuit as appellees defending the judgment in their favor. The Defaulting Defendants, however, filed neither a notice of

appeal nor a notice of cross-appeal seeking reversal or modification of the judgments for damages and attorneys' fees that had been assessed against them.

1. **Judicial Estoppel.** The Federal Circuit affirmed the judgment of dismissal in favor of Jiffy Lube. But it did so on a ground—judicial estoppel—that had never been raised in Jiffy Lube's brief on appeal or in the trial court.[3] The court first held that *Birdsell* did not resolve the claim preclusion issue. Instead, the court stated that the key question was "whether the relationship between the defendants and Bridgewood was so close that they were in privity for claim preclusion purposes." App. 10a. The court correctly explained that "a manufacturer or seller of a product who is sued for patent infringement typically is *not* in privity with a party, otherwise unrelated, who does no more than purchase and use the product" because "ordinarily such parties are not so closely related and their litigation interests are not so nearly identical that a patentee's suit against one would bar a second action against the other under the doctrine of claim preclusion." *Id.* at 12a (emphasis added).

But the court refused to apply this correct statement of the law to this case. Instead, it *sua sponte* held that the doctrine of judicial estoppel prevented it from concluding that Jiffy Lube and Bridgewood lack privity for purposes of claim preclusion. The court first observed that there was a "split of authority as to whether privity is a question of law or fact." App. 12a.[4] But the court then went on to decide the case on a ground not raised in Jiffy Lube's brief, the doctrine of "judicial estoppel," which precludes a party from taking a position in litigation contrary to one on which the party previously succeeded. The court ruled that judicial estoppel

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[3] The doctrine was mentioned in passing at oral argument, and Transclean submitted a short post-argument letter on the issue. Jiffy Lube did not substantively respond.

[4] In fact, this *sua sponte* conclusion ignored a binding holding of this Court that privity is a question of law. *See infra* at 15-16.

precluded it from holding that no privity exists, even if privity is "characterized as a legal conclusion." App. 13a. The court, however, expressly recognized that the circuits are split on that question. *Id.* ("While some circuits have limited application of judicial estoppel to inconsistent factual assertions, others have applied the doctrine to legal conclusions as well.") (citation omitted).

On that question, the Federal Circuit concluded that it would follow Eighth Circuit law. App. 13a. But because the Eighth Circuit had not yet spoken on "whether judicial estoppel extends to legal positions," the Federal Circuit adopted what it believed was the view of "the majority of circuits"—that judicial estoppel "may be applied to inconsistent legal positions * * * or at least the application of law to fact." App. 14a (citing Kira A. Davis, *Judicial Estoppel and Inconsistent Positions of Law Applied to Fact and Pure Law*, 89 Cornell L. Rev. 191, 202-08 (2003)). Accordingly, it held that "judicial estoppel may be applied to the question of privity," whether it was regarded "a legal conclusion or a question of fact." App. 14a.

The court also claimed to recognize that judicial estoppel applies only when the party to be estopped "succeeded in persuading a court to adopt the earlier position, thereby posing a 'risk of inconsistent court determinations.'" App. 13a (quoting *New Hampshire* v. *Maine*, 532 U.S. 742, 750 (2001)). Largely eliding over that issue, however, the court held that this requirement was met because "[t]he trial court accepted Transclean's admission of privity," App. 14a, even though the District Court never reached the question of privity in the context of issue preclusion and Transclean had *lost* on every issue to which privity was relevant. That did not matter to the Federal Circuit, which held that judicial estoppel barred the court from adopting what it recognized was the correct understanding of the law of privity, because "Transclean should not be permitted to reverse course this late in the proceedings simply because it now realizes its litigation strategy was *unsuccessful*." App. 14a (emphasis

added). Thus, notwithstanding its purported invocation of the judicial success requirement, the Federal Circuit applied judicial estoppel to Transclean although it recognized that Transclean had not obtained any judicial success.

2. Reversal of the Default Judgments. The Federal Circuit then did something even more extraordinary. Even though the Defaulting Defendants had never filed a notice of appeal or cross-appeal and had never even appeared in the court of appeals (or the trial court), the Federal Circuit *sua sponte* reversed the judgments that had been entered against all seven Defaulting Defendants.

Completely ignoring that the Defaulting Defendants had never appealed the judgments against them, the Federal Circuit held that the doctrine of claim preclusion could be "raised * * * sua sponte" on appeal to the benefit of those absent parties. App. 15a. As commonly happens in litigation, the District Court entered default judgments against defendants that failed to appear while also entering judgment on the merits in favor of defendants who appeared. But the Federal Circuit observed that "[i]t would be anomalous to preclude Transclean's claims against one group of defendants while allowing recovery from a second group of defendants when, as a result of Transclean's admission regarding privity, the elements of claim preclusion are satisfied for both groups." App. 16a. Thus, even though it recognized that Transclean had made no specific assertion of privity with respect to the Defaulting Defendants, App. 16a, the Federal Circuit *sua sponte* applied its judicial estoppel determination to those non-appearing parties and reversed the judgment against the Defaulting Defendants. *Id.*

D. The Rehearing Petition. Transclean timely petitioned for rehearing or rehearing en banc. Because the two key dispositive rulings of the Federal Circuit—the invocation of judicial estoppel and the reversal of the unappealed default judgments—had been issued *sua sponte* without prior briefing, Transclean's rehearing petition was its first opportunity to brief those issues.

Transclean identified the panel's errors on both issues. As to judicial estoppel, Transclean argued, *inter alia*, that "Transclean raised privity in an *unsuccessful* attempt to invoke issue preclusion," and that "[j]udicial estoppel cannot apply in such circumstances." Plaintiffs-Appellants' Combined Pet. for Reh'g or Reh'g En Banc at 6 (filed Feb. 1, 2007). Transclean also contended that the panel's holding that judicial estoppel applied to assertions on questions of law was erroneous because, *inter alia*, "[j]ust as courts are not bound by parties' stipulations on questions of law * * * a single party likewise cannot bind a court on legal questions." *Id.* at 8 (citations omitted).

Transclean also explained the panel's clear error in reversing the default judgments even though the Defaulting Defendants had filed no notices of appeal or cross-appeal. *See id.* at 11 ("Perhaps the starkest error committed by the panel was its *sua sponte* reversal of the default judgments notwithstanding that no notice of appeal or cross-appeal was ever filed by the defaulting defendants * * *."). While identifying the circuit split on the issue, Transclean asserted that "the panel lacked jurisdiction to reach the result it did" because "an appellate court lacks jurisdiction to modify or reverse a judgment to the benefit of an appellee in the absence of a timely cross-appeal filed pursuant to Fed. R. App. P. 4(a)(3)." *Id.* at 13 (emphasis deleted). Transclean also argued alternatively that, even if the cross-appeal requirement were not viewed as mandatory, "there would be no basis to reverse a judgment to the benefit of an appellee where, as here, no cross-appeal was ever filed, the appellee never appeared, and the appellant now seeks to enforce the cross-appeal time limit." *Id.* at 14 (citations omitted).

The Federal Circuit called for and received a response from Jiffy Lube to the petition. Nevertheless, the court denied the petition without explanation. App. 48a.[5]

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[5] The Federal Circuit also denied Transclean's motion for leave to file a proffered reply to Jiffy Lube's response to the petition.

REASONS FOR GRANTING THE WRIT

I. THE CIRCUITS ARE INTRACTABLY DIVIDED OVER TWO KEY PREREQUISITES FOR THE DOCTRINE OF JUDICIAL ESTOPPEL.

This case implicates not just one, but two, circuit splits over the legal requirements for the doctrine of judicial estoppel. The doctrine "'generally prevents a party from prevailing in one phase of a case on an argument and then relying on a contradictory argument to prevail in another phase.'" *New Hampshire*, 532 U.S. at 749 (citation omitted). But the circuits are divided over two key legal questions: whether the doctrine applies to assertions on questions of law, and whether it applies where, as here, a party achieved no judicial success from its earlier assertion. Each of these circuit splits is well-recognized, intractable, mature, and squarely presented in this case.

A. This Court Should Resolve The Split Among The Circuits On Whether The Doctrine Applies To Assertions On Questions Of Law.

As the Federal Circuit itself noted, the circuits are divided over whether the doctrine of judicial estoppel applies to assertions on questions of law, or rather just to factual representations. *See* App. 13a ("While some circuits have limited application of judicial estoppel to inconsistent factual assertions, others have applied the doctrine to legal conclusions as well."). [6] This division is well-recognized, longstanding, irreconcilable, and squarely implicated by this case.

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[6] *See also* Davis, *supra*, at 193 ("With respect to inconsistent positions other than the purely factual, the circuits are divided as to whether judicial estoppel applies."); Kelly L. Morron, *Time For the Federal Circuit to Take a Judicious Approach to Judicial Estoppel*, 28 AIPLA Q.J. 159, 172 (2000) ("The circuits are split on the question of whether the inconsistent 'positions' must be limited to questions of fact or may also include issues of law.").

1. Circuits Limiting Doctrine to Factual Assertions.

Three circuits—the Second, Fourth and Tenth—have expressly held that the doctrine of judicial estoppel applies only to questions of fact, not questions of law. And two others—the Eleventh and Sixth—have limited the doctrine to the assertion of divergent sworn positions, which would not generally include assertions on questions of law.

The Fourth Circuit has squarely adopted this view. That court has held that for judicial estoppel to apply, "the position sought to be estopped must be one of fact rather than law or legal theory." *Lowery* v. *Stovall*, 92 F.3d 219, 224 (4th Cir. 1996). It has not wavered from that position. *See 1000 Friends of Md.* v. *Browner*, 265 F.3d 216, 226 (4th Cir. 2001) ("[T]he position sought to be estopped must be one of fact rather than law or legal theory."). Thus, in *Pittston Co.* v. *United States*, 199 F.3d 694 (4th Cir. 1999), it rejected an attempt to apply the doctrine to the assertion of inconsistent legal positions, holding that "[j]udicial estoppel applies only to the making of inconsistent statements of fact, and therefore is of no relevance to [a] legal contention." *Id.* at 701 n.4. *Accord Folio* v. *City of Clarksburg*, 134 F.3d 1211, 1218 (4th Cir. 1998) (presenting inconsistent legal theories "is not proscribed by judicial estoppel").

The Fourth Circuit has also cogently explained why the doctrine should be limited to factual assertions. The doctrine's purpose is to protect against "'improper manipulation of the judiciary.'" *Emergency One, Inc.* v. *Am. Fire Eagle Engine Co.*, 332 F.3d 264, 274 (4th Cir. 2003) (citation omitted). Thus, "judicial estoppel exists to deter the use of *facts* from other litigation to manipulate a subsequent court that is unfamiliar with the prior *factual positions* assumed by the litigants." *Id.* (emphasis added). Courts rely on parties for the facts, but it is the "province and duty of the judicial department"—not litigants—"to say what the law is." *Marbury* v. *Madison*, 5 U.S. 137, 177 (1803). Just as courts are not bound by parties' stipulations on questions of law,

Estate of Sanford v. *Comm'r*, 308 U.S. 39, 51 (1939), a single party likewise should not bind a court on legal questions.

The Second Circuit shares this view. As the Court held in *Mulvaney Mech., Inc.* v. *Sheet Metal Workers Int'l Ass'n, Local 38*, 288 F.3d 491 (2d Cir. 2002), *vacated on other grounds*, 538 U.S. 918 (2003), "a party requesting judicial estoppel must demonstrate * * * that * * * the party against whom estoppel is sought has pursued an inconsistent factual position * * *. [The instant] legal conclusions are not 'inconsistent factual positions' as would ordinarily justify judicial estoppel." *Id.* at 504. The Second Circuit has consistently maintained this position.[7]

The Tenth Circuit recently joined this camp. Although it had refused for many years to apply judicial estoppel at all, it began to recognize the doctrine after this Court's decision in *New Hampshire*, *supra*. In *Johnson* v. *Lindon City Corp.*, 405 F.3d 1065 (10th Cir. 2005), the Tenth Circuit expressly followed the Fourth Circuit in holding that "the position to be estopped must generally be one of fact rather than of law or legal theory." *Id.* at 1069 (citing *Lowery*, 92 F.3d at 224). The court reiterated that position in *United States* v. *Villagrana-Flores*, 467 F.3d 1269 (10th Cir. 2006), and made clear that the doctrine only applied to factual positions. Although it concluded in that case that the government had not taken inconsistent positions on a Fourth Amendment issue, it held "the existence of a Fourth Amendment violation is a legal position, not a factual one, and therefore the first judicial estoppel factor has not been satisfied." *Id.* at 1279.

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[7] *See Troll Co.* v. *Uneeda Doll Co.*, 483 F.3d 150, 155 n.7 (2d Cir. 2007) (doctrine "'prevents a party from asserting a *factual* position in one legal proceeding that is contrary to a position that it successfully advanced in another proceeding'") (quoting *Rodal* v. *Anesthesia Group of Onondaga, P.C.*, 369 F.3d 113, 118-19 (2d Cir. 2004)) (emphasis added); *United States* v. *Hussein*, 178 F.3d 125, 130 (2d Cir. 1999); *AXA Marine & Aviation Ins. (UK) Ltd.* v. *Seajet Indus. Inc.*, 84 F.3d 622, 628 (2d Cir. 1996); *Bates* v. *Long Island R.R. Co.*, 997 F.2d 1028, 1038 (2d Cir. 1993).

The Eleventh Circuit has held that for judicial estoppel to apply "it must be established that the allegedly inconsistent positions were made under oath in a prior proceeding." *Transamerica Leasing, Inc.* v. *Inst. of London Underwriters*, 430 F.3d 1326, 1335 (11th Cir. 2005). *See also Am. Nat'l Bank* v. *FDIC*, 710 F.2d 1528, 1536 (11th Cir. 1983) ("Judicial estoppel is applied to the calculated assertion of divergent sworn positions").[8] The Sixth Circuit has also endorsed this view. *See McFarland* v. *Henderson*, 307 F.3d 402, 407 (6th Cir. 2002) ("this is not a case where McFarland is barred by judicial estoppel, because the district court did not adopt a representation made by her under oath"). Because positions on questions of law, as opposed to factual assertions, are not usually sworn statements under oath, it appears that the Eleventh or Sixth Circuits would not generally apply the doctrine outside of the context of factual statements.

Finally, although Fifth Circuit law is less clear, that circuit appears to apply the same rule as the Second, Fourth, and Tenth. In *Royal Ins. Co.* v. *Quinn-L Capital Corp.*, it held that "a statement of opinion on the law does not create a judicial estoppel." 3 F.3d 877, 885 n.6 (5th Cir. 1993) (citing *Sturm* v. *Boker*, 150 U.S. 312, 336 (1893)).

2. Circuits Applying Doctrine to Legal Questions.

By contrast, at least five circuits—the First, Third, Seventh, Ninth and Federal—have held that judicial estoppel can apply to assertions on questions of law.

The Third Circuit has long held this view. As it held in *Hardwick* v. *Cuomo*, 891 F.2d 1097 (3d Cir. 1989), "the doctrine of judicial estoppel [binds] parties to factual *and legal* positions taken in litigation in both the case in which the party has taken a position and in subsequent litigation." *Id.* at 1105 n.14 (3d Cir. 1989) (citing *Lewandowski* v. *Nat'l R.R. Passenger Corp.*, 882 F.2d 815 (3d Cir. 1989) and

[8] *Accord United Kingdom* v. *United States*, 238 F.3d 1312, 1324 (11th Cir. 2001); *McKinnon* v. *Blue Cross & Blue Shield of Ala.*, 935 F.2d 1187, 1192 (11th Cir. 1991).

Murray v. *Silberstein*, 882 F.2d 61 (3d Cir. 1989)) (emphasis added). *See also EF Operating Corp.* v. *Am. Bldgs.*, 993 F.2d 1046, 1049-50 (3d Cir. 1993).

The Seventh Circuit, expressly "disagree[ing]" with authority holding that "judicial estoppel applies only to positions on questions of fact," has also held that the doctrine applies to assertions on questions of law because "the change of position on [a] legal question is every bit as harmful to the administration of justice as a change on an issue of fact." *In re Cassidy*, 892 F.2d 637, 642 (7th Cir. 1990).

The Ninth Circuit has similarly come down on the side of applying the doctrine to assertions on questions of law despite the split of authority. *See Helfand* v. *Gerson*, 105 F.3d 530, 535 (9th Cir. 1997) (recognizing "support" for view that "judicial estoppel applies only to factual positions, not to opinions or legal conclusions," but following what it claimed to be "[t]he greater weight of federal authority"). In *Helfand*, the court held that "judicial estoppel applies to a party's stated position, regardless of whether it is an expression of intention, a statement of fact, or a legal assertion." *Id.* (citing, *inter alia*, *In re Cassidy*, *Hardwick*, and *Patriot Cinemas, Inc.* v. *Gen. Cinema Corp.*, 834 F.2d 208, 214 (1st Cir. 1987)). In the Ninth Circuit's view, "[t]he integrity of the judicial process is threatened when a litigant is permitted to gain an advantage by the manipulative assertion of inconsistent positions, factual or legal." *Helfand*, 105 F.3d at 535. *Accord Wagner* v. *Prof'l Eng'rs in Cal. Gov't*, 354 F.3d 1036, 1044 (9th Cir. 2004).

The First Circuit also embraces this view. As it stated in *Gens* v. *Resolution Trust Corp.*, 112 F.3d 569 (1st Cir. 1997), "[j]udicial estoppel is not implicated unless the first forum accepted the *legal or factual* assertion alleged to be at odds with the position advanced in the current forum." *Id.* at 572 (emphasis added). *See also Alternative Sys. Concepts, Inc.* v. *Synopsys, Inc.*, 374 F.3d 23, 34 (1st Cir. 2004) (doctrine estops party from asserting legal theory previously disclaimed, as "such inconsistencies may present an even

'stronger argument than do the classic cases for application of the doctrine'") (quoting *Patriot Cinemas*, 834 F.2d at 214 and following *Wagner*, 354 F.3d at 1044).

Finally, the Federal Circuit has joined the First, Third, Seventh, and Ninth Circuits. Although it applied a prediction that the Eighth Circuit (which has not yet squarely addressed the issue) would hold that the doctrine applies to legal assertions, the Federal Circuit also made clear that it had applied that view itself. *See* App. 14a ("the Federal Circuit has stated that a party may be judicially estopped from asserting clearly inconsistent positions on claim construction, which is a question of law").

3. The Split Is Directly Implicated By This Case.

The Federal Circuit squarely addressed the issue below, App. 14a, thereby presenting it for this Court. It is immaterial that the Federal Circuit purported to apply Eighth Circuit law, since the circuits are divided on an issue of federal law. *See, e.g.*, *Unitherm Food Sys. Inc.* v. *Swift-Eckrich, Inc.*, 546 U.S. 394 (2006) (resolving circuit split on review of Federal Circuit decision that applied Tenth Circuit law). It is likewise immaterial that the Federal Circuit declined to decide whether privity is a question of law or fact, because the court resolved the case even assuming privity is a question of law. This Court can thus resolve the case on the same assumption.

In any event, the Federal Circuit was flatly wrong in opining that there is confusion as to whether privity is a question of law or fact. This Court definitively resolved the issue nearly a century ago. In *Souffront* v. *La Compagnie Des Sucreries de Porto Rico*, 217 U.S. 475 (1910), the Court rejected the contention that privity in the context of claim preclusion is a question of fact for the jury:

> In asserting * * * "that the defendants herein were neither parties nor privies to the said judgments, suit, and appeals * * * and therefore said judgments cannot bar this action," there was presented merely a *question of law* as to whether, upon the facts appearing in the judgments, or

> averred in the third defense, the defendants in this action were, *as a matter of law*, in privity with the complainants in the cause in which the judgments pleaded as res judicata were rendered * * *. We say this, because clearly whether the judgments * * * were subject to be collaterally attacked *was a matter of law for the court* * * *.

Id. at 487 (emphasis added; citation omitted).

The only *fact* admitted by Transclean relevant to privity was the undisputed fact that Bridgewood made, and its customers used, the same infringing machines. Whether that undisputed fact establishes privity for purposes of claim preclusion is a question of law for the Court. Moreover, the Federal Circuit's holding that Bridgewood and its customers are deemed in privity runs afoul of this Court's decision in *Birdsell*, *supra*, which held that a patentee is entitled to bring a successive suit against a user of an infringing machine where, as here, the patentee has not recovered full compensation from the manufacturer. *See* 112 U.S. at 486, 487.

B. The Court Should Resolve The Split Among The Circuits On Whether The Doctrine Applies Where The Party To Be Estopped Achieved No Success.

The circuits are also intractably divided on whether judicial estoppel can apply where, as here, the party to be estopped achieved no success from its earlier asserted position. Courts have long recognized a "majority" and "minority" rule on this issue. "Under the majority view, judicial estoppel does not apply unless the assertion inconsistent with the claim made in the subsequent litigation 'was adopted in some manner by the court in the prior litigation.'" *Britton* v. *Co-Op Banking Group*, 4 F.3d 742, 744 (9th Cir. 1993) (citation omitted). By contrast, "[u]nder the minority view, judicial estoppel can apply even when a party was unsuccessful in asserting its position in the prior judicial proceeding, 'if the court determines that the alleged offending party engaged in

"fast and loose" behavior which undermined the integrity of the court.'" *Id.* (citation omitted).[9]

1. Majority View: Prior Success Required.

"The majority view is that judicial estoppel does not apply unless the party has been successful in persuading a court to adopt its position." *Moore* v. *United Servs. Auto. Ass'n*, 808 F.2d 1147, 1153 n.6 (5th Cir. 1987). Almost all circuits adhere to this rule.

The Seventh Circuit has clearly endorsed the majority rule and explained its rationale. Judicial estoppel applies "only if a party prevails in Suit #1 on the basis of a position inconsistent with that latterly taken," because "the offense is not taking inconsistent positions so much as it is *winning*, twice, on the basis of incompatible positions." *Astor Chauffeured Limousine Co.* v. *Runnefeldt Inv. Corp.*, 910 F.2d 1540, 1548 (7th Cir. 1990) (emphasis added). "The doctrine presupposes a judgment * * * for all it does is forbid a person who has won a judgment on one ground to repudiate that ground in a subsequent litigation in an effort to obtain a second judgment. It is thus about abandoning winning, not losing, grounds." *Patz* v. *St. Paul Fire & Marine Ins. Co.*, 15 F.3d 699, 702 (7th Cir. 1994). In other words, "a litigant is not forever bound to a losing argument." *Levinson* v. *United States*, 969 F.2d 260, 265 (7th Cir. 1992).

Most circuits embrace this position. For example, in *Blachy* v. *Butcher*, 221 F.3d 896 (6th Cir. 2000), the Sixth Circuit refused to apply the doctrine "because there [was] no evidence that the [defendants] were successful with [their] argument, which is a necessary element of judicial estoppel." *Id.* at 908. *See also Edwards* v. *Aetna Life Ins. Co.*, 690 F.2d

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[9] *See also Hossaini* v. *W. Mo. Med. Ctr.*, 140 F.3d 1140, 1142-43 (8th Cir. 1998) (noting "majority" and "minority" views); *Rissetto* v. *Plumbers & Steamfitters Local 343*, 94 F.3d 597, 601 (9th Cir. 1996) (same); *Milgard Tempering, Inc.* v. *Selas Corp. of Am.*, 902 F.2d 703, 716-17 (9th Cir. 1990) (same).

595, 599 (6th Cir. 1982) (party estopped if it "successfully asserted an inconsistent position in a prior proceeding").

The Second Circuit similarly holds that "judicial estoppel applies only when a tribunal * * * [has] rendered a favorable decision." *Adler* v. *Pataki*, 185 F.3d 35, 41 n.3 (2d Cir. 1999). Thus, in *Wal-Mart Stores, Inc.* v. *Visa U.S.A., Inc.*, 396 F.3d 96, 120 (2d Cir. 2005), the court rejected application of the doctrine in the absence of an earlier favorable decision. *See also Bates*, 997 F.2d at 1038 (settlement "does not provide the prior success necessary for judicial estoppel").

Similarly, the Fourth Circuit has held that "[t]he party sought to be estopped must have 'intentionally misled the court to gain unfair advantage.'" *Lowery*, 92 F.3d at 224 (citation omitted). This requirement of unfair advantage thus "ensures that judicial estoppel is applied in the narrowest of circumstances." *Id.* The law of other circuits is to the same effect. *See, e.g., Stallings* v. *Hussmann Corp.*, 447 F.3d 1041, 1049 (8th Cir. 2006) (court "abused its discretion" in applying judicial estoppel where "no judicial acceptance of [a party's] inconsistent position occurred"); *Exxon Corp.* v. *Oxxford Clothes*, 109 F.3d 1070, 1078 (5th Cir. 1997) ("the record here does not reveal that any of these allegations were accepted as true by the respective courts; accordingly, the doctrine of judicial estoppel is inapplicable").[10]

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[10] Indeed, the Federal Circuit itself has previously adhered to the requirement of judicial success. *See, e.g., Sandisk Corp.* v. *Memorex Prods.*, 415 F.3d 1278, 1290-1291 (Fed. Cir. 2005) ("the party must have succeeded in persuading a court to adopt the earlier position"); *RF Delaware, Inc.* v. *Pac. Keystone Techs., Inc.*, 326 F.3d 1255, 1262 (Fed. Cir. 2003) (same); *Water Techs. Corp.* v. *Calco Ltd.*, 850 F.2d 660, 665-66 (Fed. Cir. 1988) ("[W]hether judicial estoppel should be invoked * * * depends upon [the party] having received a benefit from the previously taken position in the form of judicial success"); *Jackson Jordan, Inc.* v. *Plasser Am. Corp.*, 747 F.2d 1567, 1579 (Fed. Cir. 1984) (doctrine requires that "the party against whom estoppel is invoked received some benefit from the previously taken position, *i.e.*, he 'won' because of it").

This Court has signaled its approval of the majority view. In *New Hampshire*, 532 U.S. at 750, the Court noted that in applying judicial estoppel lower courts "regularly inquire whether a party has succeeded in persuading a court to accept that party's earlier position." (citing *Edwards*, 690 F.2d at 599). As this Court explained, that inquiry is proper because "[a]bsent success in a prior proceeding, a party's later inconsistent position introduces no 'risk of inconsistent court determinations' and thus poses little threat to judicial integrity." *Id.* at 750-51 (citations omitted).

2. Minority View: No Prior Success Required.

"The minority view, in contrast, holds that the doctrine applies even if the litigant was unsuccessful in asserting the inconsistent position." *Morris* v. *California*, 966 F.2d 448, 453 (9th Cir. 1991). As other courts and commentators have noted, the Third Circuit adopts this view.[11]

In *Ryan Operations G.P.* v. *Santiam-Midwest Lumber Co.*, 81 F.3d 355 (3d Cir. 1996), the Third Circuit held that "whether the party sought to be estopped benefited from its earlier position may be *relevant* insofar as it evidences an intent to play fast and loose with the courts," but "*[i]t is not * * * an independent requirement* for application of the doctrine of judicial estoppel." *Id.* at 361 (emphasis added). To the Third Circuit, "'the critical issue is what the [party] contended in the underlying proceeding, rather than what the jury found.'" *Id.* (citation omitted).

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[11] *See, e.g.*, *Hossaini*, 140 F.3d at 1143; Morron, *supra*, at 174 ("The Third Circuit is the only circuit that has no requirement that the litigant have achieved 'success' or 'litigation benefit' from an earlier position"); John R. Knight, *The Doctrine of Judicial Estoppel: What Does It Really Mean?*, 44 Fed. Lawyer 32, 33 (1997) (citing minority view cases); Eric A. Schreiber, *The Judiciary Says, You Can't Have It Both Ways: Judicial Estoppel—A Doctrine Precluding Inconsistent Positions*, 30 Loyola L. Rev. 323, 336 (1996) (same).

The First Circuit has also been identified as adopting this view. *See Robertson Oil Co.* v. *Phillips Petroleum Co.*, 14 F.3d 360, 369 n.11 (8th Cir. 1992). But that court now appears to follow a hybrid approach, under which the party to be estopped must have "succeeded in persuading a court to have accepted its prior position" but need not have "benefitted from the court's acceptance of the party's initial position." *Thore* v. *Howe*, 466 F.3d 173, 181-82 (1st Cir. 2006). *See* Douglas W. Henkin, *Judicial Estoppel—Beating Shields Into Swords and Back Again*, 139 U. Pa. L. Rev. 1711, 1722 (1991) ("The First Circuit is anomalous, as it seems to have both accepted and rejected the [prior success] doctrine").

3. The Split Is Directly Implicated By This Case.

Although the Federal Circuit paid lip service to the prior success requirement, App. 13a, it found judicial estoppel solely on the basis of its view that "[t]he trial court accepted Transclean's admission of privity, and the defendants relied on that admission during both the trial and appellate phases of this litigation." App. 14a. Notably, the Federal Circuit did *not* hold that Transclean had actually achieved any success from its assertion of privity in the trial court. To the contrary, the court applied the doctrine while at the same time noting that Transclean's "litigation strategy was *unsuccessful*." *Id.* (emphasis added).

Nor could the court have held otherwise, for Transclean *lost* on every issue to which privity was relevant. Transclean initially raised privity in an unsuccessful attempt to assert issue preclusion. The District Court *denied* Transclean's motion without expressing any views on privity; instead, the court held that infringement had not been decided on the merits in the first action. App. 43a. And although the court (wrongly, in Transclean's view) remarked that Transclean had not disputed privity for purposes of claim preclusion, Transclean certainly achieved no success on that issue either. To the contrary, judgment was entered against Transclean on that issue. Similarly, although the Federal Circuit also noted what it construed as conflicting positions by Transclean on

the issue of privity in its briefs and argument *on appeal*, App. 11a, the court's judicial estoppel holding was based on Transclean's positions in the trial court. And in any event, Transclean unquestionably achieved no success on appeal.

This case therefore squarely presents the question whether judicial estoppel can be invoked against a party that achieved no success as a result of its earlier representation. As this Court has already noted, the answer should be no, since "[a]bsent success in a prior proceeding, a party's later inconsistent position introduces no 'risk of inconsistent court determinations' and thus poses little threat to judicial integrity." *New Hampshire*, 532 U.S. at 750. Transclean initially asserted privity in an *unsuccessful* attempt to invoke issue preclusion, and the Federal Circuit erred in refusing to adopt what even it recognized was the correct understanding of the law of privity. Transclean should not be "forever bound to a losing argument." *Levinson*, 969 F.2d at 265.

II. THE CIRCUITS ARE INTRACTABLY DIVIDED OVER WHETHER A COURT OF APPEALS HAS JURISDICTION OR DISCRETION TO REVERSE A JUDGMENT TO THE BENEFIT OF AN APPELLEE THAT FILED NO CROSS-APPEAL.

This case also implicates a longstanding circuit split over another important issue: whether a court of appeals has jurisdiction to, or may as a discretionary matter, reverse or modify a judgment to the benefit of a party that filed no timely appeal or cross-appeal. This division is well-recognized and persistent, and this Court has previously granted certiorari to resolve it. The Court should do so again in this case.

A. The Split Is Longstanding And This Court Has Previously Sought Unsuccessfully To Resolve It.

This Court has long recognized that "[a]bsent a cross-appeal, an appellee * * * may not 'attack the decree with a view either to enlarging his own rights thereunder or of lessening the rights of his adversary.'" *El Paso Nat. Gas Co.* v. *Neztsosie*, 526 U.S. 473, 479 (1999) (quoting *United States*

v. *Am. Ry. Express Co.*, 265 U. S. 425, 435 (1924)). An appellee that files no timely cross-appeal within the 14 days allowed by Fed. R. Fed. P. 4(a)(3) may thus argue for affirmance, but no more. The Court has described this rule as "firmly entrenched," observing that "in more than two centuries of repeatedly endorsing the cross-appeal requirement, not a single one of our holdings has ever recognized an exception to the rule." *Id. See also Morley Constr. Co.* v. *Md. Cas. Co.*, 300 U.S. 185, 187, 190-91 (1937) ("[t]he rule is inveterate and certain" and goes to the "power of an appellate court"). Nevertheless, the circuit courts have long been divided over whether the rule that a party file a cross-appeal in order to reverse or modify a judgment is a jurisdictional requirement or merely a waivable "rule of practice."

As the Court reiterated only days ago, the Court has "long and repeatedly held that the time limits for filing a notice of appeal are jurisdictional in nature." *Bowles* v. *Russell*, No. 06-5306, slip op. at 1 (June 14, 2007). *See also, e.g., Griggs* v. *Provident Consumer Discount Co.*, 459 U.S. 56, 61 (1982) (per curiam) (requirement is "'mandatory and jurisdictional'") (citation omitted). Applying that rule and other authority, five circuits—the First, Third, Sixth, Seventh and Tenth—hold that the *cross-appeal* requirement is likewise mandatory and jurisdictional.[12] By contrast, six circuits—the Second, Fourth, Eighth, Ninth, D.C. and now the Federal *sub silentio*—have held that the requirement is a waivable "rule of practice."[13] For its part, the Fifth Circuit follows the

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[12] *See Toomer* v. *City Cab*, 443 F.3d 1191, 1197 (10th Cir. 2006); *Johnson* v. *Teamsters Local 559*, 102 F.3d 21, 28-29 (1st Cir. 1996); *EF Operating*, 993 F.2d at 1049 n.1; *Francis* v. *Clark Equip. Co.*, 993 F.2d 545, 552 (6th Cir. 1993); *Young Radiator Co.* v. *Celotex Corp.*, 881 F.2d 1408, 1416 (7th Cir. 1990).

[13] *See In re Johns-Manville Corp.*, 476 F.3d 118, 123 (2d Cir. 2007); *Mendocino Envtl. Ctr.* v. *Mendocino Cty.*, 192 F.3d 1283, 1298 (9th Cir. 1999); *Spann* v. *Colonial Village, Inc.*, 899 F.2d 24, 33 (D.C. Cir. 1990); *LaFaut* v. *Smith*, 834 F.2d 389, 394 n.9 (4th

jurisdictional approach for most cases, but that court sitting en banc also established (over eight dissenting votes) a limited exception allowing for modification of judgments in certain in forma pauperis cases. *Compare Kelly* v. *Foti*, 77 F.3d 819 (5th Cir. 1996) *with Marts* v. *Hines*, 117 F.3d 1504 (5th Cir. 1997) (en banc).

The circuit split is well-recognized. Indeed, this Court *itself* has remarked that "[t]he issue has caused much disagreement among the Courts of Appeals and even inconsistency within particular Circuits for more than 50 years." *El Paso*, 526 U.S. at 480 n.2 (leaving issue open). In *Mendocino*, the Ninth Circuit noted that its "rule of practice" approach "is in accord with the views of the Second, Fourth, and D.C. Circuits, although the First, Third [at that time], Sixth, Seventh, and Tenth Circuits have reached the opposite results." 192 F.3d at 1298; *see also Marts*, 117 F.3d at 1507 (Garwood, J., dissenting) ("Over the years, decisions of the courts of appeals have divided on whether the * * * rule requiring a cross-appeal * * * is a rule governing the power or jurisdiction of the appellate court or is rather a rule of practice as to which exceptions may be made * * *."); *Johnson*, 102 F.3d at 28 ("There has been a split in authority among the circuits as to whether the late filing of a notice of a *cross*-appeal has the same dire jurisdictional consequences as does the late filing of an appeal."); *EF Operating*, 993 F.2d at 1049 n.1 (3d Cir. 1993) ("The circuits are split on this issue"); *Young Radiator*, 881 F.2d at 1415-16 (noting split); Charles A. Wright, Arthur R. Miller & Edward H. Cooper, *Federal Practice & Procedure* § 3950.7 (1999 & Supp. 2007) (noting "split among the circuits").

The competing positions are well-entrenched. After this Court's decision in *Torres* v. *Oakland Scavenger Co.*, 487 U.S. 312, 316 (1988), which reaffirmed the jurisdictional nature of Fed. R. App. P. 4, the Third Circuit changed to the

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Cir. 1987); *Hysell* v. *Iowa Pub. Serv. Co.*, 559 F.2d 468, 476 (8th Cir. 1977).

jurisdictional rule, *see EF Operating*, 993 F.2d at 1049 n.1, and the First, Sixth, Seventh, and Tenth reaffirmed their commitment to that position, *see* cases cited *supra* note 12. *See also* 20 James Wm. Moore et al., *Moore's Federal Practice* § 304.11[3][d] (3d ed. 1998) (incorrectly predicting that *Torres* "may have struck the death knell" for rule of practice approach). By contrast, as the Ninth Circuit has noted, "[s]ince *Torres* was decided, we, along with the Second and D.C. Circuits, have reaffirmed our position that the notice of cross-appeal is a rule of practice rather than a jurisdictional requirement." *Mendocino*, 192 F.3d at 1298 n.27. And only recently, the Second Circuit again reaffirmed its commitment to the rule of practice approach following this Court's decision in *Eberhart* v. *United States*, 546 U.S. 12 (2005), while at the same time making clear that "*Eberhart* strongly indicates that we are to enforce that limit strictly, once it is properly invoked." *Johns-Manville*, 476 F.3d at 124. The Court's recent decision in *Bowles*, *supra*, likewise does not resolve the split. *Bowles*, like *Torres*, is another in a long line of cases holding that the requirement of a timely notice of *appeal* is mandatory and jurisdictional, but *Bowles* does not specifically address the *cross-appeal* requirement.

This Court has previously granted certiorari to resolve this very issue. In *Zapata Indus., Inc.* v. *W.R. Grace & Co.*, 34 Fed. Appx. 688, 2002 WL 539099 (Fed. Cir. 2002), the Federal Circuit held in an unpublished decision that because "[t]he time limits of Rule 4 are jurisdictional" the failure to file a timely notice of cross-appeal "may not be waived." *Id.* at 690. The unsuccessful cross-appellant petitioned this Court for a writ of certiorari to decide whether the cross-appeal deadline in Rule 4(a)(3) "is mandatory and jurisdictional or, instead, a rule of practice permitting the appellate court to consider a late filed cross-appeal where there is excusable neglect and no prejudice occurs." Pet. for a Writ of Certiorari, *Zapata Indus., Inc.* v. *W.R. Grace & Co.*, No. 01-1766 (filed May 31, 2002). This Court granted certiorari to decide that question. *See* 536 U.S. 990 (2002).

Subsequently, however, the case was voluntarily dismissed as moot. *See* 537 U.S. 1025 (2002); Stipulated Mot. for Voluntary Dismissal, No. 01-1766 (filed Nov. 15, 2002).

B. This Case Is An Ideal Vehicle To Determine Whether, And If So When, The Cross-Appeal Requirement Can Be Waived.

This case is an ideal vehicle to resolve the issue left unresolved by the dismissal in *Zapata*. Despite its earlier unpublished decision in *Zapata*, the Federal Circuit in this case *sua sponte* reversed default judgments even though the seven defaulting defendants (designated by Transclean as appellees) noticed no cross-appeals and never even appeared to challenge those judgments. *See* App. 15a. And the Federal Circuit adhered to that determination notwithstanding that Transclean clearly identified the panel's error in a timely petition for rehearing, which was Transclean's first and only opportunity to address the issue.

If, as five circuits have held, the Federal Circuit lacked jurisdiction to reverse or modify the default judgments, then the court's decision cannot stand. But this case also presents the question of what circumstances can support a waiver of the cross-appeal requirement even if it is not formally denominated as jurisdictional. As the Second Circuit has recently held, even if Rule 4(a)(3) is only a rule of practice, courts "are to enforce that limit strictly." *Johns-Manville*, 476 F.3d at 124. *See Eberhart*, 546 U.S. at 19 (even non-jurisdictional timing rules "assure relief to a party properly raising them"). Other courts adopting the rule of practice approach have made clear that the rule will be waived only in "exceptional circumstances," *Spann*, 899 F.2d at 33 (R.B. Ginsburg, J.), and that it is the "general rule" that an appeals court "will not hear a challenge to a district court decision if a notice of cross-appeal is not filed." *S.M.* v. *J.K.*, 262 F.3d 914, 923 (9th Cir. 2001).

Here, the Defaulting Defendants did not merely file a late notice; they never even appeared to challenge the judgments

against them. Even if the cross-appeal requirement is not jurisdictional, there is no conceivable basis for waiving it here. The only explanation given by the Federal Circuit—that it would be "anomalous to preclude Transclean's claims against one group of defendants while allowing recovery from a second group of defendants," App. 16a—holds no water. *See El Paso*, 526 U.S. at 480 ("comity considerations" are "clearly inadequate to defeat the institutional interests in fair notice and repose that the [cross-appeal] rule advances"). In the first place, Transclean made no assertion of privity directed at those defendants. *See* App. 16a. But more generally, there is nothing "anomalous" about leaving intact an unappealed default judgment notwithstanding a different disposition against a participating defendant. That is what often happens when some parties default and others do not.

The Federal Circuit's rule, by contrast, would turn courts of appeal into advocates for absent parties, *sua sponte* reversing judgments on behalf of parties that sought no relief. Even if the cross-appeal requirement were waivable in exceptional cases, there is no basis to excuse these defendants, which deliberately chose not to respond to the complaint or the appeal, from bedrock requirements that govern all litigants. As the Court has held, the cross-appeal rule "is meant to protect institutional interests in the orderly functioning of the judicial system, by putting opposing parties and appellate courts on notice of the issues to be litigated and encouraging repose of those that are not." *El Paso*, 526 U.S. at 482.

Nor can the Federal Circuit escape this Court's scrutiny by rendering its decision *sua sponte* and then simply denying a rehearing petition without explanation. *See id.* at 479-82 (reversing *sua sponte* decision of Ninth Circuit to waive rule). The circuits desperately need guidance, as shown by this Court's grant of certiorari in *Zapata* to review an unpublished, non-precedential Federal Circuit decision on the issue. In any event, the issue is, at least in part, a jurisdictional one that cannot be overlooked. In fact, the Federal Circuit's *sua sponte* decision demonstrates exactly

why that court erred in not enforcing the cross-appeal rule, whether denominated as jurisdictional or as a mandatory rule of procedure. Because the Defaulting Defendants never appeared to challenge the judgments against them, Transclean received no notice that those judgments were under attack until the Federal Circuit's decision. In our adversary system, parties file appeals and other parties respond to them. The Federal Circuit circumvented that adversary process by entertaining and sustaining a cross-appeal that was never filed or pressed.

III. THE QUESTIONS PRESENTED ARE RECURRING AND IMPORTANT.

The questions presented are recurring and important, and, in this case, integrally related. Both the judicial estoppel doctrine and the cross-appeal requirement, although seemingly mundane procedural issues, arise frequently in every circuit and both issues are almost always case dispositive. Without guidance from this Court, the circuits will continue to apply disparate rules to both doctrines, thereby destroying the uniformity of the federal justice system.

A. Judicial Estoppel.

Courts and commentators have long lamented the disarray in the circuit courts on the judicial estoppel doctrine, and the resulting need for this Court's intervention. As the First Circuit noted twenty years ago, the requirements for the doctrine are "'rather vague' and vary * * * from circuit to circuit." *Patriot Cinemas*, 834 F.2d at 212. More recently, that same court complained again that "[t]he contours of the doctrine are hazy" and that "[e]ach case tends to turn on its own facts." *Alternative Sys. Concepts*, 374 F.3d at 33. For its part, the Seventh Circuit has noted that "[t]here is, no doubt, confusion and uncertainty in the case law (though not of this circuit) over the scope of the doctrine of judicial estoppel." *United States* v. *Newell*, 239 F.3d 917, 922 (7th Cir. 2001). The Fifth Circuit has likewise stated that judicial estoppel is an "'obscure doctrine'" of uncertain contours and

uncertain acceptance in the federal courts. *Nichols* v. *Scott*, 69 F.3d 1255, 1272-73 (5th Cir. 1995) (citation omitted).

Commentators have correctly attributed this confusion to lack of guidance by this Court. As leading commentators have noted, there remains a "lack of any uniform approach among the federal courts" to judicial estoppel and "[t]he lack of clear theory may be due in part to the relative dearth of Supreme Court decisions." Wright, Miller & Cooper, *supra*, § 4477. Others agree on the pressing need for guidance.[14] This Court's only decision squarely addressing the doctrine, *New Hampshire*, provided little certainty. Rather, *New Hampshire*'s "general restatement of doctrine provides a good foundation for further development, but the Court had no occasion for a detailed exploration of the many points that remain uncertain in the lower courts." Wright, Miller & Cooper, *supra*, § 4477. This case provides the occasion for exploration of at least two of those points.

The authorities cited in this petition are but a small fraction of the hundreds, if not thousands, of cases in which judicial estoppel arises in the lower courts. This Court, however, has issued but one decision directly addressing the doctrine and that ruling has not alleviated the confusion. The issues, moreover, are significant to all litigants. Because judicial estoppel, unlike doctrines such as issue preclusion, claim preclusion or equitable estoppel, can apply even without privity or a litigated judgment, *Allen* v. *Zurich Ins. Co.*, 667 F.2d 1162, 1166-67 (4th Cir. 1982), under the Federal Circuit's rule parties will be "forever bound to a losing argument," *Levinson*, 969 F.2d at 265, even on a question of law.

[14] *See* Davis, *supra*, at 197 ("Left without guidance, the U.S. courts of appeal have developed various versions of judicial estoppel."); Schreiber, *supra*, at 325 ("A clearly defined set of elements in accordance with the policy goals of judicial estoppel would remedy the confusion surrounding this doctrine and provide guidance to courts as to when judicial estoppel should be applied"); Morron, *supra*, at 171 ("The regional circuit courts have addressed the judicially-created doctrine in remarkably dissimilar ways.").

Indeed, in this case the Federal Circuit held that Transclean was estopped from litigating the question of privity even though the court held that infringement had never been litigated on the merits in the first action. Thus, Transclean lost its case without ever having had the opportunity to prove it. Such a rule also threatens one of the fundamental practices of modern civil procedure: pleading of inconsistent legal arguments. *See Newell*, 239 F.3d at 922; *Allen*, 667 F.2d at 1167. Until this Court provides the necessary guidance, litigants will continue to be governed by different case-dispositive rules depending simply on where their case is brought.

B. Cross-Appeal Rule.

The Court has already shown, through its grant in *Zapata*, that the question of whether and when the cross-appeal rule can be waived meets the Court's requirements for certiorari.[15] The issue recurs repeatedly in the circuit courts, as shown by the fact that nearly every circuit has expressly weighed in on it, and it is usually case-dispositive.

Moreover, the issue potentially affects this Court's own rules of procedure. This Court has long applied an identical requirement that a respondent seeking to modify a judgment of a court of appeals must file a cross petition for certiorari. *See, e.g., Northwest Airlines, Inc.* v. *County of Kent*, 510 U.S. 355, 364 (1994). But just as the courts of appeal are divided over whether the cross-appeal requirement is mandatory and jurisdictional, there is also confusion in this Court's decisions regarding the nature of the cross-petition requirement.[16] That is yet another reason to grant certiorari.

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[15] The Court has often granted certiorari to resolve circuit disagreements over other similar critical gatekeeping procedural issues. *See, e.g., Bowles, supra*; *Eberhart*, 546 U.S. at 19-20; *Kontrick* v. *Ryan*, 540 U.S. 443, 452 (2004); *Torres*, 487 U.S. at 314.

[16] *See Trans World Airlines, Inc.* v. *Thurston*, 469 U.S. 111, 119 n.14 (1985) ("[T]he Court is without jurisdiction" to consider an argument not presented in cross-petition.); *United States* v. *ITT Cont'l Baking Co.*, 420 U.S. 223, 226-27 n.2 (1975) (describing

Finally, the two issues presented in the petition are integrally related in this case. The Federal Circuit reversed the default judgments on the ground that judicial estoppel should be applied to those judgments as well as the judgments against the Participating Defendants. Thus, if this Court were to conclude that the cross-appeal requirement is not mandatory and jurisdictional and properly waived here, it would still have to confront the judicial estoppel issues. Likewise, because the cross-appeal issue is, at least in part, jurisdictional in nature, the Court would have to confront that issue in any event before confronting the judicial estoppel issues. There was only one judgment of the Federal Circuit, and review of that judgment should include all issues set forth in, and fairly included in, the questions presented.

CONCLUSION

For the foregoing reasons, the petition should be granted and the judgment below reversed.

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rule as "a matter of practice and control of our docket, if not of our power"); Robert L. Stern & Eugene Gressman, et al., *Supreme Court Practice* 448 (2002) ("Another question that remains unsettled is whether the rule requiring the filing of cross-appeals and cross-petitions is jurisdictional or prudential.").